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the DEVELOPMENT corporations of ONTARIO

ANNUAL

1991

1992

OUR GROWTH POTENTIAL WAS IMMEDIATELY RECOGNIZED BY ODC, EVEN THOUGH OUR PRODUCT WAS STILL IN THE DEVELOPMENT PHASE. JIM GILBERTSON, GENPORT MACHINING

OUR SUCCESS IN THE GLOBAL MARKETPLACE COULD NOT HAVE BEEN ACCOMPLISHED IN SO SHORT A TIME WITHOUT THE HELP OF INNOVATION ONTARIO. BOB BAKSI, TECHNOPHAR

AS AN ENTREPRENEUR, I APPRECIATE THE CONFIDENCE ODC HAS SHOWN IN MY COMPANY AND MY PRODUCTS. PIERRETTE MATTHEWS, MULTITEX

WITH ADVICE AND SUPPORT FROM EODC, WE HAVE MADE OUR BUSINESS VISION A REALITY. LEO MACKILLOP, GOLDEN SANDS VACATIONLAND

REVIEW

Our Business...

The Development Corporations of Ontario are Crown agencies of the Ministry of Industry, Trade and Technology working in cooperation with Ontario businesses, traditional lending institutions and other government ministries and agencies to stimulate economic growth in the province.

The four Corporations specialize in meeting the regional economic needs of businesses: Ontario Development Corporation (ODC) serves central and southwestern Ontario; Northern Ontario Development Corporation (NODC) serves northern Ontario; Eastern Ontario Development Corporation (EODC) serves eastern Ontario; and Innovation Ontario Corporation (IOC) serves the province's technology-based companies.

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Minister
Deputy Minister

The Honourable Ed Philip
Peter H. Barnes

Board Chairs
Ontario Development Corporation
Northern Ontario Development
Corporation
Eastern Ontario Development
Corporation
Innovation Ontario Corporation

Gordon Cowperthwaite

Patricia Neilson

Zdenek J. Kvarda
Donald M. Green

President and Chief
Executive Officer
Vice-President, Lending Operations
Vice-President, Finance and
Administration

David MacKinnon
Michael St. Amant

Fausto Saponara

The Boards of Directors

Comprised of private citizens representing all regions of Ontario and a range of business and professional interests within those regions, the Boards of Directors form an important link between the Development Corporations and Ontario's business community.

To perform these vital roles, Board Members draw on their own extensive business experience, as well as their personal knowledge of the economic needs of a particular

region or industry.

The Boards are empowered to recommend policies and regulations affecting the Development Corporations, and to review and approve applications for financial assistance to small and medium-sized businesses.

In addition to these duties, the Boards take an active part in supervising the day-to-day operations of the Corporations, including programs, lending practices and administration.

ONTARIO DEVELOPMENT CORPORATION

GORDON COWPERTHWAIT, Toronto -

Chair

TRENT GOW, Willowdale - *Vice-Chair*

YVONNE BLACKWOOD, Markham

SHIRLEY A. DAWE, Toronto

RAFIQUE DAWOOD, Toronto

ROBIN L. DEVINE, Toronto

IVY HOOPER, Willowdale

ZDENEK J. KVARDA, Belleville

DAWN D. MADAHBEE, Manitoulin Island

WALTER MUROFF, Windsor

PATRICIA NEILSON, Fort Frances

WILLIAM WEN, Toronto

RETIRED MEMBERS:

ROLAND A. CLOUTIER, Hearst

(retired December 1991)

GLORIA J. EPSTEIN, Toronto

(retired March 1992)

JEAN-CLAUDE A. GÉLINAS, Hawkesbury

(retired December 1991)

ROGER LÉGARÉ, Ottawa

(retired March 1992)

LYDIA M. OLAH, North Bay

(retired January 1992)

NORTHERN ONTARIO DEVELOPMENT CORPORATION

PATRICIA NEILSON, Fort Frances -

Chair

W. BARRIE BRAYFORD, New Liskeard -

Vice-Chair

HARRY BRAUN, Thunder Bay

LOUISE CANTIN, Timmins

MAURICE GUERTIN, Kapuskasing

JAMES D. LANZO, Sudbury

DAWN D. MADAHBEE, Manitoulin Island

G. NELSON MCKAY, Sault Ste. Marie

MAURICE M. ROCHEFORT, North Bay

RETIRED MEMBERS:

ROLAND A. CLOUTIER, Hearst -

Chair (retired December 1991)

LYDIA M. OLAH, North Bay -

Vice-Chair (retired January 1992)

EASTERN ONTARIO DEVELOPMENT CORPORATION

ZDENEK J. KVARDA, Belleville -

Chair

LOUISE TARDIF, Ottawa -

Vice-Chair

DANIEL BRANT, Ottawa

NEIL P. BURKE, Cornwall

NORMAN J. CARROLL, Pembroke

ANN CLARKE-OKAH, Ottawa

CATHY DEWAR, Ottawa

IVY HOOPER, Willowdale

ROGER LÉGARÉ, Ottawa

NICHOLAS SIDOR, Ottawa

RETIRED MEMBERS:

JEAN-CLAUDE A. GÉLINAS, Hawkesbury -

Chair (retired December 1991)

DAVID R. WALLING, Lindsay -

Vice-Chair (retired June 1991)

CAROL A. MCKEEN, Kingston

(retired December 1991)

JACQUELINE F. MCLAUGHLIN,

Carleton Place *(retired December 1991)*

GERALD J.G. TRACEY, Eganville

(retired December 1991)

INNOVATION ONTARIO CORPORATION

DONALD M. GREEN, Burlington -

Chair

GERHARD E. MEINZER, Schomberg -

Vice-Chair

W. BARRIE BRAYFORD, New Liskeard

PENNY DAVIES BUNGE, Woodlawn

STEVE M. DENISON, West Carleton

TRENT GOW, Willowdale

LINDA GRATTON, Peterborough

HANNY HASSAN, London

MONIQUE D. OAKS, Ottawa

M. JACK RIPLEY, Chatham

BIRBAL SINGH, Thunder Bay

CHRISTOPHER G. TRUMP, Toronto

RETIRED MEMBERS:

HERBERT CHANG, Unionville

(retired December 1991)

FERNANDO COSTA, Toronto

(retired December 1991)

RAFIQUE DAWOOD, Toronto

(retired March 1992)

GORDON HUME, London

(retired December 1991)

BERNIE KAMIN, North York

(retired March 1992)

PENNY A. LIPSETT, North York

(retired December 1991)

CATHERINE SWIFT, Toronto

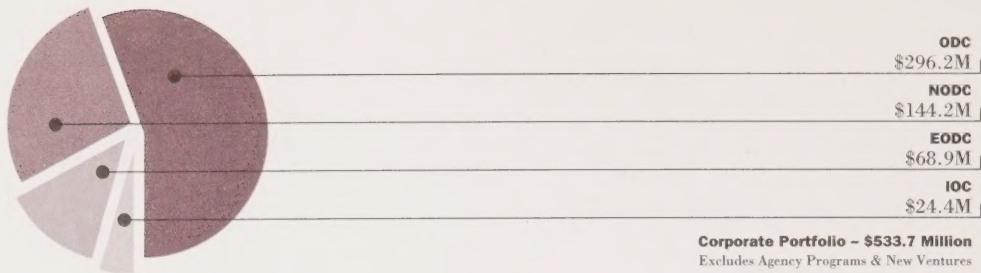
(retired January 1992)



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Outstanding Portfolio by Corporation
(as at March 31, 1992)



The proprietary assets of the four Development Corporations, which excludes agency programs and New Ventures, increased during 1991-92 to \$533.7 million, from \$521.6 million in the previous fiscal year.

Regional Summary

The three regional Corporations tailor their assistance to reflect the particular economic needs of their respective areas. As members of the communities they serve, business development specialists in the Corporations' field offices are knowledgeable on local business conditions and economic opportunities.

ONTARIO DEVELOPMENT CORPORATION (ODC)

ODC has seven field offices serving the business communities of central and southwestern Ontario. In 1991-92, the Corporation approved more than \$161

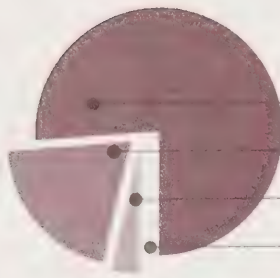
million in financial assistance to over 2,700 companies. Loans and guarantees to 203 manufacturing companies totalled over \$107 million, while 7 tourism operations received loans and guarantees of nearly three-quarters of a million dollars. Under the New Ventures program, ODC approved \$33.2 million in loan guarantees to assist the start-up of 2,457 new companies in the region. As well, more than \$19 million in export support loans helped finance receivables for 46 exporters.

The following charts provide an overview of loans and guarantees approved by ODC in 1991-92.

Genport Machining Ltd., Burlington

Jim Gilbertson is building a better business based on his own ingenuity ... with financial support from the Ontario Development Corporation. Genport Machining, Gilbertson's Burlington, Ontario firm, is a specialized machining company offering on-site machining for the repair and maintenance of heavy industrial equipment. ■ Since 1984, the firm has serviced equipment that is either too large or too complex to move. To meet customer requirements, Genport must be able to take its own repair equipment apart and move it to wherever it is needed. ■ "With our specialized lathes, we can do in four days what it would take the customer three weeks to do otherwise," says Gilbertson. "Up until recently, the kind of lathes I need have only been available from the United States. As a result, I rented the equipment from American firms, and paid a considerable price for it." ■ That changed in the autumn of 1991, when Gilbertson put into motion a plan to build his own portable lathe, based on his original design and financed by an ODC loan. ■ "The Corporation has been just great in helping us to grow," says Gilbertson. "With money so tight, I've found it especially difficult to attract financing for product development projects like this one. ODC, on the other hand, has been nothing but supportive." ■ Gilbertson is confident the investment will have a major effect on his company's profits. "With the new lathe, we can offer technical service to our customers," he explains, "for about 40 per cent in price less than our American competitors." ■ In addition, Genport Machining will be able to sell and rent this equipment, opening up a whole new market. "The things we can do with this very versatile machine are almost limitless," says Gilbertson. "It's just a matter of controlling the growth and developing the sales."

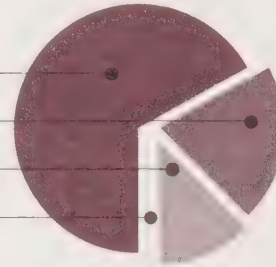
ODC Commitments 1991-92



| | |
|----------------|-------|
| New Ventures | 2,457 |
| Manufacturing | 203 |
| Export Support | 46 |
| Tourism | 7 |

ODC Commitments in \$(millions) 1991-92

| | |
|----------------|----------|
| Manufacturing | \$107.9M |
| New Ventures | \$33.2M |
| Export Support | \$19.5M |
| Tourism | \$0.7M |



NORTHERN ONTARIO DEVELOPMENT CORPORATION (NODC)

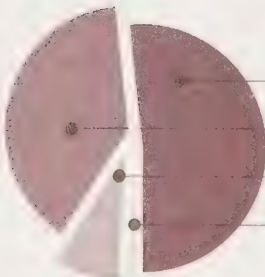
NODC plays a key role in fostering regional and community economic development across a vast region of Ontario through six field offices. As well as its own programs, NODC delivers the NORFUND program, which offers loans to manufacturing and processing industries in northern Ontario, and the TRIP and Destinations North programs which provide incentive term loans and guarantees to northern tourism operators.

During the 1991-92 fiscal year,

NODC approved more than \$166 million in financial assistance to 539 businesses in northern Ontario. About \$157 million in loans and guarantees assisted 212 manufacturing operations while 46 tourism operators received over \$4 million in financial assistance. Another 277 New Ventures loan guarantees, totalling \$3.6 million, were approved. Export support loans of about \$1.6 million were granted to four exporting companies.

The following charts provide an overview of loans and guarantees approved by NODC in 1991-92.

NODC Commitments 1991-92



| | |
|----------------|-----|
| New Ventures | 277 |
| Manufacturing | 212 |
| Tourism | 46 |
| Export Support | 4 |

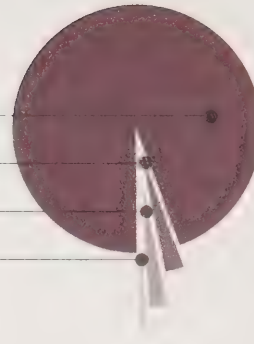
Kagiwiosa Manomin Inc., Dinorwic

With the increased consumer focus on wellness and healthy eating, markets are opening up around the world for organic foods. Kagiwiosa Manomin, a native owned and operated cooperative, is capitalizing on these burgeoning global markets. ■ Situated on the Wabigoon Lake Reserve, west of Dryden, Ontario, Kagiwiosa Manomin processes green wild rice harvested from Shoal Lake and Northwest Angle in the west to the Osnaburgh-Picke Lake area in the east. ■ The cooperative combines traditional processing methods with innovative techniques to boost rice yields. The result is high-volume production of a product that still enjoys all the positive characteristics of hand processing. This is an approach to mass processing unique in the industry. ■ Considered a gourmet product, organic wild rice is eagerly sought after in many European countries, especially Germany and Switzerland. Since it began operations in 1986, Kagiwiosa Manomin has established itself in this market as a supplier of choice. ■ Today, new opportunities exist for wild rice in markets in Japan, Australia and California. "Customers in these areas are interested, but harder to sell," says Kagiwiosa Manomin President Joe Pitchenese, "That's because people in these countries are not as accustomed to the taste of wild rice. As a result, we've developed two new blends of wild and domestic rice to better suit their needs." ■ NODC is helping Kagiwiosa Manomin access these markets with an Export Support loan. "The loan allows us to cover our initial production costs immediately," explains Pitchenese. "That gives us time to export our product and attract new customers without worrying about immediate payment. As a result, thanks to NODC, we now have the ability to expand our international customer base."

NODC Commitments

in \$(millions) 1991-92

| | |
|----------------|----------|
| Manufacturing | \$157.0M |
| Tourism | \$4.5M |
| New Ventures | \$3.6M |
| Export Support | \$1.6M |



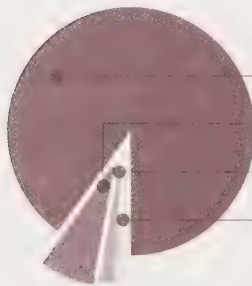
EASTERN ONTARIO DEVELOPMENT CORPORATION (EODC)

EODC has four field offices serving the people of Ontario's eastern region. During the past fiscal year, the Corporation approved almost \$30 million in financial assistance to 764 businesses. This includes over \$16 million in loans and guarantees to 55 manufacturing companies. To support the tourism industry in eastern Ontario, EODC delivers the TRIP and Destinations East programs in addi-

tion to its own financial assistance programs. In 1991-92, over \$2 million in loans and guarantees were approved for 18 tourist operators in the region. In addition, more than \$9 million in New Ventures loan guarantees were approved for 686 new companies. As well, five companies received nearly \$2 million in export support loans.

The following charts provide an overview of loans and guarantees approved by EODC in 1991-92.

EODC Commitments 1991-92

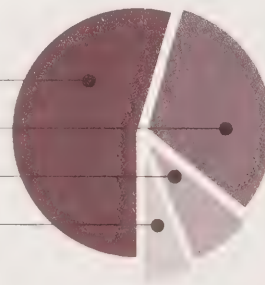


| | |
|----------------|-----|
| New Ventures | 686 |
| Manufacturing | 55 |
| Tourism | 18 |
| Export Support | 5 |

EODC Commitments

in \$(millions) 1991-92

| | |
|----------------|---------|
| Manufacturing | \$16.2M |
| New Ventures | \$9.3M |
| Tourism | \$2.4M |
| Export Support | \$1.9M |



Golden Sands Vacationland, Golden Lake

For Leo and Judy MacKillop, the Eastern Ontario Development Corporation has meant the opportunity to develop their business and target a growing market. ■ "When we bought Golden Sands just over two years ago, it was a nice little vacation spot," says Leo MacKillop, "but we could see it had the potential to be much more than that. With the help of the EODC, we've been able to make our vision a reality." ■ Since receiving their first loan in the summer of 1990, the MacKillops have completed extensive renovations to the Ottawa Valley resort. After converting an underutilized structure into motel units, they added a glass dining room overlooking the lake and transformed the original kitchen into a modern culinary centre. ■ With their most recent loan, the MacKillops created two new conference rooms and increased the number of motel units to 17 including two honeymoon suites. ■ With each project, the MacKillops move closer to their long-term goal to make Golden Sands the year-round destination of choice for business groups and vacationers. Every step of the way, they have been supported by funds from the Ministry of Tourism and Recreation's Destinations East Capital Assistance Program, delivered by EODC. The program, according to Leo MacKillop, offered a helping hand at a time when financing for the expansion of a tourist-related business was hard to find. ■ "Thanks to EODC, we're now able to offer facilities unequalled in this area of the province," notes MacKillop. "And, believe me, for Golden Sands, this is just the beginning."

Innovation Ontario Corporation

Innovation Ontario provides the venture capital needed to develop early stage, technology-oriented businesses. Unlike the regional Development Corporations, Innovation Ontario does not provide loans; instead, Innovation Ontario's financial assistance involves equity participation. Its investments are usually made through the purchase of company shares.

Such investment allows companies to augment the skills of the firm's management team, or to demonstrate the technical superiority or market acceptance of its product or service.

Innovation Ontario retains an ongoing interest in the operations of firms in which it invests. When a business reaches a point where it can attract sufficient private sector investment to ensure sustained profitability, Innovation Ontario is prepared to sell its investment at a fair value.

Established in 1986, Innovation Ontario invested more capital in the 1991-92 fiscal year than ever invested in any previous year, demonstrating a continuing need for Innovation Ontario services. While financial support is often available for well-established technology-based companies, few venture capital companies in Ontario currently serve such businesses in the earliest stages of development.

In recognition of this need, funding

for Innovation Ontario was increased in 1991, and its investment ceiling raised to a maximum of \$1 million per company. With these program enhancements, Innovation Ontario can now follow up an initial investment in a developing firm with second stage investments, enabling the Corporation to invest in the continuing growth of technology-based firms.

Efforts continue to explain to business people, entrepreneurs and community leaders the role of Innovation Ontario, and the benefits which can be achieved by the Corporation and the community working together.

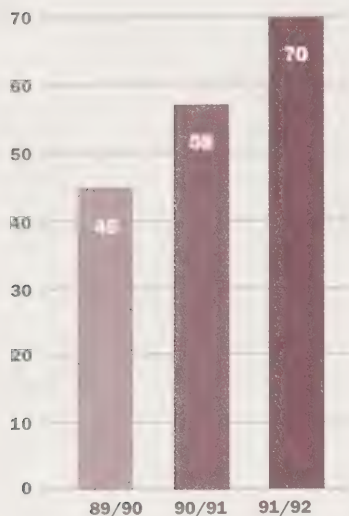
In 1991-92, Innovation Ontario approved 70 proposals, an increase of 21 per cent over the previous year. Capital investments approved in this fiscal year totalled \$18.4 million, an increase of 57 per cent over the previous year. Since it was established six years ago, the Corporation has approved 302 proposals, representing a capital investment of more than \$47.6 million.

Innovation Ontario's current portfolio is comprised primarily of 204 equity/royalty agreements with early stage, technology-based firms.

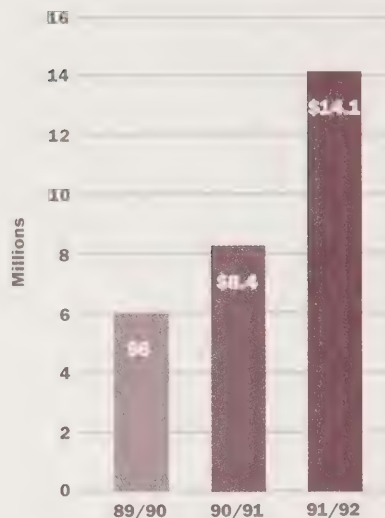
Technophar Equipment & Service Ltd., Oldcastle

Technophar Equipment and Service Ltd. manufactures, sells, services and re-engineers gelatin capsule making machines for the pharmaceutical industry. ■ "In all these areas, we are, technically, the best in the world," says Technophar President Herman Victorov. "Our state-of-the-art equipment performs at greater speeds and with greater efficiencies than any other." ■ Technophar is the designer and manufacturer of a hard capsule machine known as the "Tri-Deck". Operating automatically at a high speed, the "Tri-Deck" produces 64,000 hard gelatin capsules per hour, which are then filled with medicine such as cold remedies. ■ Technophar has received orders for machinery from the United States, Taiwan, Romania, China, Saudi Arabia and Iran — often winning contracts after world-wide public tenders. ■ And yet, without Innovation Ontario, Technophar could not possibly have achieved all it has done in so short a time frame. "Four years ago," says Bob Baksi, Legal Counsel for Technophar, "we were a small company intending to play on the world stage. Traditional lending institutions were simply unsuited to financing that type of growth, especially involving a technology-based, entrepreneurial enterprise." ■ Instead, Technophar turned to Innovation Ontario, "one of the few sources of reasonable equity capital in Canada." With Innovation Ontario's initial investment in January 1990, Technophar produced a working machine model in its plant. Two years later, a follow-up investment allowed the company to cover costs entailed by its rapid growth. "When you're competing in an effort to penetrate a global market," says Baksi, "you need to demonstrate this kind of financial backing." ■ Helped by a team of 40 highly skilled staff, Technophar is now reaping the benefits of hard work and high risk.

Innovation Ontario Corporation
Pre-Venture Investments Approved



Innovation Ontario Corporation
Capital Invested



New Ventures

In recognition of the significant contributions small businesses make to the growth of the provincial economy and to job creation, the Ontario Development Corporation supports new companies through the New Ventures program. New Ventures offers Ontario entrepreneurs guarantees of up to \$15,000 on personal loans obtained from participating financial institutions.

To be eligible, applicants must make a cash equity contribution to the business equal to the amount of the loan. In northern and eastern Ontario, this matching requirement is 50 per cent of the loan amount. Details on other eligibility criteria may

be obtained from the Corporation's New Ventures office or participating financial institutions.

One of ODC's most popular services, during the 1991-92 fiscal year, New Ventures helped 3,420 new enterprises get started with more than \$46 million in loan guarantees. Since the program's inception in 1986, \$288 million in New Ventures loans have helped launch almost 22,000 new small businesses in Ontario.

The following charts provide an overview of the financial assistance provided to new enterprises in Ontario through the New Ventures program in 1991-92.

Multi-Ex, Ottawa

Twenty years of teaching in Ontario school systems taught Pierrette Matthews a lesson: many educators lack the materials they need to get the message across. ■ In September of 1991, Matthews decided to fill this breach by designing multi-media learning kits. With financial assistance from the New Ventures program, Matthews hired a children's illustrator and a professional woodworker and began production. ■ "Multi-Ex kits teach children how to learn, and encourage teachers to try a different approach," she says. ■ Currently available in five themes of particular interest to youngsters — dinosaurs, simple machines, art, pirates, and castles — each kit contains exhibits and displays for the classroom, hands-on activities, videos, cassettes and, of course, books. ■ "In short, what Multi-Ex offers is an integrated tool to challenge the mind, work the imagination and nourish the senses," explains Matthews. "When they rent a kit, teachers are able to transform an ordinary classroom into a true learning centre. For a week, children can immerse themselves in a subject, exploring it from many exciting angles." ■ Response from schools, museums, libraries and community centres to the Multi-Ex concept has been positive. "We've only been on the market for a few months and already we're developing kits in new themes and sizes," says Matthews. "Without New Ventures, Multi-Ex may still have happened. But knowing the government was behind the project provided the extra confidence an entrepreneur needs."

New Venture Commitments 1991-92



New Venture Commitments in \$(millions) 1991-92



Manufacturing Recovery Program (MRP)

The Development Corporations of Ontario have responded to the international economic downturn by providing funding and specialized assistance to manufacturing firms with their home base in Ontario.

The Manufacturing Recovery Program, introduced in April 1991, recognizes that even a sound company with good long-term prospects may struggle in trying to weather the blows of the recent recession.

To protect Ontario's small and

medium-sized manufacturing companies during the current economic downturn, MRP provides management advice and financial support. To be eligible for assistance, a company must normally employ 50 to 500 people or have annual sales of \$5 to \$75 million, and be fundamentally viable.

In 1991-92, MRP approved over \$28 million in assistance through loans and guarantees to 36 companies in the province's manufacturing sector.

Algonquin Industries International Inc., Huntsville

Since 1968, Algonquin Industries has been a key name in the manufacture of trailer hitches, distributing to companies across North America. More recently, Algonquin has established itself as a maker of quality ground effects (or running boards) for some of the biggest names in the automotive industry, including Chrysler, General Motors, Toyota, Nissan and Suzuki. ■ Algonquin is one of the Huntsville area's largest manufacturing employers, providing work for 75 people. With its reputation for building quality products, coupled with a diverse list of satisfied customers, Algonquin's future seemed assured. ■ Then came the recession. "Last year, the downturn in the economy seemed to hit automobile makers particularly hard," says Algonquin President Jim Alexander. "Our customers simply stopped buying." Algonquin's "after market" business — trailer hitches sold to automotive retail chains and post-assembly plant installers — also decreased. ■ When the economy gave no indication of a quick recovery, credit conditions became less favourable. Manufacturing businesses were suddenly considered high risk ventures. As a result, Algonquin found it more difficult to raise the operating funds it needed. ■ Without the help of the Ontario Development Corporation, in the form of a term loan under the Manufacturing Recovery Program, Algonquin's recovery would have been slower. ■ In addition, MRP assistance allowed Algonquin to implement a new strategy for growth that will create 14 new jobs in 1993. ■ "Thanks to ODC and the Manufacturing Recovery Program, we were able to come through the recession without seriously damaging our future growth," says Alexander. Instead of scrambling for operating funds, we're now in a position to make plans for capital expansion."

Financial Statements for 1991-92

The combined financial statements contained in this annual review have been prepared by management in accordance with the accounting policies outlined in Note 2. The format of these statements is consistent with that of the 1990-91 review except for the change in accounting policy related to loss provisions for accrued interest on loans in arrears outlined in Note 3. The statements include a Statement of Investment by the Province of Ontario and a detailed Statement of Cash Flows.

To ensure the integrity and objectivity of the corporate financial data presented in this annual review, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Boards of Directors are responsible for ensuring that management fulfils its responsibility for financial reporting and control. They exercise this responsibility through the Audit Committee of the Boards, which is made up of directors who are not employees of the Corporations. The Audit Committee meets regularly with both management and the external auditors.



Fausto Saponara
Vice-President,
Finance and Administration



David MacKinnon
Chief Executive Officer

Auditor's Report

**To the Ontario Development Corporation,
Northern Ontario Development Corporation,
Eastern Ontario Development Corporation,
Innovation Ontario Corporation,
and to the Minister of Industry, Trade and Technology.**

I have audited the combined balance sheet of The Development Corporations consisting of Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation and Innovation Ontario Corporation as at March 31, 1992 and the combined statements of operations, investment by the Province of Ontario and cash flows for the year then ended. These combined financial statements are the responsibility of The Development Corporations' management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes

assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of The Development Corporations as at March 31, 1992 and the results of their operations and the changes in their financial position for the year then ended in accordance with the accounting policies described in note 2 to the combined financial statements.

**Toronto, Ontario,
June 19, 1992.**



**J.F. Otterman, F.C.A.,
Assistant Provincial Auditor**

COMBINED BALANCE SHEET AS AT MARCH 31, 1992

| | 1992 \$ | 1991 \$ |
|---|----------------|----------------|
| | (thousands) | |
| Assets | | |
| Loans receivable [notes 3 and 4] | 217,527 | 223,671 |
| Equity and royalty investments [note 5] | 24,023 | 19,642 |
| | 241,550 | 243,313 |
| Cash and short-term deposits | 37,183 | 30,390 |
| Accounts receivable | 1,011 | 637 |
| Investment in non-consolidated subsidiaries [note 6] | 8,588 | 10,614 |
| Fixed assets –industrial parks [note 7] | 9,529 | 3,513 |
| –research building [note 7] | 12,000 | 0 |
| –other | 62 | 312 |
| Total assets | 309,923 | 288,779 |
| Liabilities | | |
| Dividend payable | 0 | 2,600 |
| Accounts payable –other | 949 | 507 |
| –Northern Ontario Heritage Fund | 595 | 0 |
| | 1,544 | 3,107 |
| Commitments and contingencies [notes 8 and 13] | | |
| Investment by the Province of Ontario | | |
| Share capital of Ontario Development Corporation | 7,000 | 7,000 |
| Contributed capital, net of distributions | 390,104 | 324,164 |
| Advances [note 9] | 184,201 | 175,564 |
| Accumulated net cost of operations | (252,665) | (206,320) |
| Due from Province | (20,261) | (14,736) |
| | 308,379 | 285,672 |
| Total liabilities and investment by the Province | 309,923 | 288,779 |

See accompanying notes to combined financial statements



Chair
Ontario Development Corporation



Chair
Eastern Ontario Development Corporation



Chair
Innovation Ontario Corporation



Chair
Northern Ontario Development Corporation

COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1992

| | 1992 \$ | 1991 \$ |
|--|-------------|------------|
| | (thousands) | |
| Revenue | | |
| Interest on loans [note 4] | 19,528 | 12,258 |
| Interest on short-term deposits | 3,121 | 3,043 |
| Net income from industrial parks [note 7] | 2,167 | 2,590 |
| Gain on sale of investments and land | 1,892 | 616 |
| Other income | 508 | 130 |
| | 27,216 | 18,637 |
| Expenses | | |
| Credit and investment losses (net of recoveries) [note 10] | | |
| Loans | 17,218 | 21,761 |
| Investments | 5,425 | 3,321 |
| Guarantees | | |
| New Ventures program | 18,587 | 17,011 |
| Other | 11,401 | 9,637 |
| Interest subsidy payments | 2,265 | 3,094 |
| Technology royalty investments | 1,882 | 585 |
| Administration [note 11] | 15,757 | 15,173 |
| | 72,535 | 70,582 |
| Net cost of operations before the following | 45,319 | 51,945 |
| Loss from non-consolidated subsidiaries [note 6] | 1,026 | 4,702 |
| Net cost of operations [note 3] | 46,345 | 56,647 |

See accompanying notes to combined financial statements

**COMBINED STATEMENT OF INVESTMENT BY THE PROVINCE OF ONTARIO
FOR THE YEAR ENDED MARCH 31, 1992**

| | Ontario Development Corporation share capital \$ | Contributed capital \$ | Advances \$ | Accumulated net cost of operations \$ | Due from Province \$ |
|---------------------------------|--|------------------------------|----------------|--|----------------------------|
| | | | | | (thousands) |
| Balance, March 31, 1991 | 7,000 | 324,164 | 175,564 | (206,320) | (14,736) |
| Interest on advances | | (12,353) | | | |
| Contributions to fund | | | | | |
| Investments of | | | | | |
| Innovation Ontario | | 12,198 | | | |
| Technology royalty | | | | | |
| investments | | 1,882 | | | |
| Other investments | | | | | |
| (disposal) | | (1,992) | | | |
| Guarantee and | | | | | |
| other program costs | | 32,972 | | | |
| Administration | | 15,757 | | | |
| Forgiveness of advances | | 18,476 | (18,476) | | |
| New advances, | | | | | |
| net of repayments | | | 27,113 | | |
| Net cost of operations for | | | | | |
| the year | | | | (46,345) | |
| Dividends paid or payable | | (1,000) | | | |
| Net change in due from Province | | | | | (5,525) |
| Balance, March 31, 1992 | 7,000 | 390,104 | 184,201 | (252,665) | (20,261) |

See accompanying notes to combined financial statements

COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 1992

| | 1992 \$ | 1991 \$ |
|--|------------|-------------|
| | | (thousands) |
| Lending, Investing and Financial Assistance Activities | | |
| Loan disbursements | (111,169) | (104,835) |
| Loan collections | 98,859 | 83,376 |
| Interest collected from borrowers | 19,495 | 16,043 |
| Disbursements for equity investments | (8,805) | (4,821) |
| Proceeds on sale of investments | 891 | 571 |
| Disbursements for guarantees honoured and guarantee interest subsidies | (34,689) | (32,362) |
| Technology royalty investments | (1,882) | (585) |
| Net cash outflow for lending, investing and financial assistance activities | (37,300) | (42,613) |
| Financing Activities | | |
| Interest paid on Provincial advances | (12,353) | (12,964) |
| Advances from the Province | 92,910 | 36,497 |
| Repayments to the Province | (63,646) | (22,044) |
| Cash contributions from the Province for: | | |
| Equity and technology royalty investments | 12,088 | 5,815 |
| Lending activities | 45,059 | 37,127 |
| Administration | 15,757 | 15,173 |
| Net receipts from (payments to) the Province for: | | |
| Other agency loans under administration | 545 | 2,447 |
| Recoveries from borrowers of loan writeoffs and guarantees honoured | (2,082) | 1,176 |
| Dividends paid | (1,000) | (2,200) |
| Other | (13,404) | (10,167) |
| Net cash inflow from financing activities | 73,874 | 50,860 |
| Operating Activities | | |
| Operating cash flow from industrial parks | 3,236 | 4,065 |
| Interest received on short-term deposits | 3,168 | 2,992 |
| Administration costs | (15,757) | (15,173) |
| Fixed asset additions | (7,478) | (1,355) |
| Research facility addition | (12,000) | 0 |
| Other | (950) | 349 |
| Net cash outflow for operating activities | (29,781) | (9,122) |
| Decrease in cash and short-term deposits | 6,793 | (875) |
| Cash and short-term deposits, beginning of year | 30,390 | 31,265 |
| Cash and short-term deposits, end of year | 37,183 | 30,390 |

See accompanying notes to combined financial statements

Notes to Combined Financial Statements

March 31, 1992

1. GENERAL

These financial statements combine the accounts of Ontario Development Corporation ("ODC"), Northern Ontario Development Corporation ("NODC"), Eastern Ontario Development Corporation ("EODC") and Innovation Ontario Corporation ("IOC"). The Corporations are incorporated under the Development Corporations Act and, except for ODC, are corporations without share capital. As Ontario Crown Corporations, the Corporations are exempt from income taxes under Section 149 (1)(d) of the Canadian Income Tax Act.

The Corporations' objectives are to encourage and assist in the development and diversification of industry in Ontario. The Corporations provide financial assistance by making loans, guaranteeing loans, acquiring equity securities and operating industrial park facilities. They also administer certain activities on behalf of other Provincial ministries and agencies [see Note 12].

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Transactions with the Province

The Province's investment in The Development Corporations is detailed in the Combined Statement of Investment by the Province of Ontario. In addition to the share capital, the Province contributes funds to finance the lending, investing and financial assistance activities and reimburses the Corporations for administrative operating costs. Credit and investment losses are recorded as a reduction in advances from the Province and an increase in contributed capital.

The Province's gross investment is reduced by advances repaid or forgiven, interest on funds advanced, dividends and recoveries of loan and guarantee losses.

(b) Loans receivable

Loans receivable are reported at the amount disbursed plus accrued interest, less principal repayments and amounts written off. No provision is made for the principal portion of doubtful loans in advance of a loan being partially or fully written off. A full provision is made for accrued interest on loans which are greater than 150 days in arrears.

Loans receivable include both loans made directly by the Corporations and

loans administered for other Provincial ministries and agencies if one of the Corporations is a signatory to the loan agreement.

A loan is considered for write-off at the time any of the following circumstances exist:

- i) *either principal or interest payments are greater than 180 days in arrears;*
- ii) *the loan is a restructured loan and principal or interest payments are greater than 90 days in arrears;*
- iii) *the loan previously has been partially written off; or*
- iv) *at any other time when, in management's view, the loan has suffered an impairment in value that is considered other than temporary.*

Loans which meet any of the above criteria are written off unless management believes that the Corporations will recover some or all of the outstanding loan balance, in which case the loan is written down to the estimated net realizable value.

Loan losses in the Combined Statement of Operations are net of recoveries on loans previously written off.

(c) Equity investments

Equity investments are recorded at cost less provision for losses for those investments that in management's opinion have incurred an other than temporary decline in value. The provision is determined by management based upon their best estimates from the most current information available to them. Establishing the value of an early stage investment, when there is no existing market for the shares, is very difficult. As such, if a provision for loss is made with respect to a specific investment, the provision would normally be for the full cost of the investment.

(d) Technology royalty investments

In specific instances, IOC will make an investment using a royalty arrangement rather than the purchase of equity. Given the uncertain nature, both with respect to timing and magnitude of future royalties, royalty investments are expensed as incurred.

(e) Revenue recognition

Interest income is recognized on the accrual basis, except for certain loans administered by the Corporations that permit the borrower to defer interest payments. For those interest-deferred loans, interest that accrues during the deferred payment period is recognized in income when received.

(f) Guarantees

Guarantee expenses are recognized at the date the Corporations are requested to honour a guarantee. No provision for anticipated guarantee losses is recorded in advance of requests to honour a guarantee. Guarantee losses in the Combined Statement of Operations are net of recoveries on guarantees previously honoured.

(g) Fixed assets

Industrial Parks

Fixed asset additions since the date the industrial parks and a research building were acquired by ODC have been capitalized in the accounts and are depreciated on a straight-line basis over the estimated useful lives of the assets at the following rates:

| | |
|----------------------------|-----------|
| Buildings and improvements | 5% to 20% |
| Equipment | 20% |

Other

Fixed assets for the Corporations' own use other than industrial park assets and the research building are expensed on acquisition and are included in administration expenses.

(h) Non-consolidated subsidiaries

The investment in three wholly-owned subsidiaries of ODC are accounted for by the equity method because of ODC's formal plan to dispose of the assets of the subsidiaries. [see Note 6].

(i) Administration expenses

Administration expenses are recorded on a cash basis which is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended.

3. CHANGE IN ACCOUNTING POLICY

The Corporation provides for all accrued interest on loans which are greater than 150 days in arrears. In prior years, no such provisions were made. This change in accounting policy has been applied retroactively and, as a result, 1991 Net Cost of Operations increased by \$3,027,000, 1991 Loans Receivable decreased by \$3,027,000 and 1992 Net Cost of Operations is \$1,350,000 lower than it would have otherwise been.

4. LOANS RECEIVABLE

Loans receivable include \$46.4 million [1991 - \$61.7 million] of loans administered on behalf of other Provincial agencies and ministries.

As at March 31, 1992, 8.2% of total loans receivable are floating-rate loans, with the balance of interest earning loans bearing fixed rates ranging from 6% to 16.5%. The weighted average interest rate on all interest-bearing loans was 10.4% at March 31, 1992 [1991 - 11.0%].

Loans on which payments were past due by more than 90 days and 180 days amounted to \$34.3 million and \$19.0 million respectively [1991 - \$38.8 million and \$14.7 million respectively].

5. EQUITY AND ROYALTY INVESTMENTS

| | Number of investees | 1992 \$ | 1991 \$ |
|-------------------|------------------------|------------|-------------|
| | | | (thousands) |
| Common shares | 107 | 17,764 | 19,042 |
| Preferred shares | 28 | 6,259 | 600 |
| Royalty interests | 75 | - | - |
| | 210 | 24,023 | 19,642 |

The accumulated total disbursements related to technology royalty investments as at March 31, 1992 was \$5,467,000 [1991 - \$3,585,000].

6. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES

IDEA Innovation Fund Inc., IDEA Research Investment Fund Inc. and IDEA Information Technology Fund Inc., which are wholly-owned by ODC, are accounted for by the equity method (Note 2(h)). Summarized combined information about the financial position and results of operations of these subsidiaries is provided below:

| | Contingent liability under guarantees for loans advanced | Commitments to guarantee loans not yet advanced | Total contingent liability and commitments 1992 | Total contingent liability and commitments 1991 |
|-----------------------|---|--|---|---|
| | \$ | \$ | \$ | \$ |
| | (thousands) | | | |
| New Ventures Programs | 73,102 | 2,978 | 76,080 | 69,805 |
| OSDIC | 50,250 | 44,750 | 95,000 | 95,000 |
| James River | 0 | 0 | 0 | 70,000 |
| Algoma Steel | 0 | 110,000 | 110,000 | 0 |
| Other Guarantees | 101,290 | 51,363 | 152,653 | 205,435 |
| | 224,642 | 209,091 | 433,733 | 440,240 |

Subsequent to March 31, 1992 ODC honoured approximately \$1,800,000 of guarantees for which demands for payment had been received prior to year-end. Consistent with the accounting policy described in note 2 (f), this amount will be recognized as an expense in the next fiscal year.

9. ADVANCES

Advances from the Province are used to fund loans. The advances have no fixed maturity dates and are forgiven by the Province if the related loan receivable proves uncollectible.

Certain of the advances related to specific programs are interest free. At March 31, 1992, \$112.4 million [1991 - \$103.5 million] of advances were interest bearing, with the balance of \$71.8 million [1991 - \$72.1 million] being interest free.

10. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Combined Statement of Operations are net of recoveries as follows:

| | Loans | Investments | New Ventures guarantees | Other guarantees |
|-------------------------------------|-------------|-------------|----------------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| | (thousands) | | | |
| Write-downs/ guarantees honoured | 20,761 | 5,425 | 20,075 | 12,349 |
| Less recoveries | (3,543) | 0 | (1,488) | (948) |
| Net expense 1992 | 17,218 | 5,425 | 18,587 | 11,401 |
| Net expense 1991 | 21,761 | 3,321 | 17,011 | 9,637 |

11. ADMINISTRATION

Administration expenses for the year ended March 31 are as follows:

| | 1992 | 1991 |
|----------------------------------|-------------|--------|
| | \$ | \$ |
| | (thousands) | |
| Salaries and benefits | 11,163 | 9,699 |
| Transportation and communication | 1,290 | 1,293 |
| Services | 2,707 | 3,121 |
| Supplies and equipment | 597 | 1,060 |
| | 15,757 | 15,173 |

The Corporations provide pension benefits for all their permanent staff through participation in the Public Service Pension Fund, established by the Province of Ontario. The Corporations' share of contributions to the Fund during the year was \$968,500 [1991 - \$808,800] and is included in salaries and benefits. This amount includes current contributions and additional payments required to cover the Corporations' share of the Fund's unfunded liabilities on January 1, 1990. These additional payments commenced in 1990 and will continue over forty years.

The Corporations had thirty-five members on their Boards on March 31, 1992. The remuneration of the directors for 1992 totalled \$205,572 [1991 - \$237,738]

12. ACTIVITIES ADMINISTERED BY THE DEVELOPMENT CORPORATIONS

The Corporations are responsible for a wide variety of activities, including activities managed on behalf of other ministries and agencies of the Province of Ontario. The Schedule of Activities Administered by the Corporations, Schedule 1, summarizes the activities administered at March 31, 1992, other than industrial park operations (Note 5 provides information about the industrial parks).

The Schedule of Activities Administered includes loans, debentures and equity investments that are included in the Combined Balance Sheet. The schedule also includes loans guaranteed by the Corporations, as well as certain loans, equity investments and repayable grants administered for other ministries and agencies. These additional activities are not included in the Combined Balance Sheet.

The total activity amounts included in the schedule differ from amounts reported in the Combined Balance Sheet as follows:

SCHEDULE 1
ACTIVITIES ADMINISTERED BY THE DEVELOPMENT CORPORATIONS

As At March 31, 1992

| | Loans and Debentures (\$000's) | | Loans Guaranteed (\$000's) | | Equity Investments /Royalty Interests Number | | Repayable Grants/ Conditional Loans (\$000's) | | Total March 31, 1992 (\$000's) | | Total March 31, 1991 (\$000's) | |
|--|--------------------------------------|----------------|----------------------------------|----------------|--|---------------|---|----------------|---|----------------|---|--|
| | Number | | Number | | Number | | Number | | | | | |
| Business Sector/Program | | | | | | | | | | | | |
| Manufacturing | 1,079 | 123,362 | 85 | 45,776 | 1 | 16,900 | 476 | 152,225 | 338,263 | 295,789 | | |
| High Technology | 65 | 51,488 | | | 208 | 28,692 | | | 80,180 | 96,672 | | |
| Export | 167 | 25,332 | | | | | | | 25,332 | 24,156 | | |
| Tourism | 653 | 62,190 | 230 | 61,714 | | | 1 | 423 | 124,327 | 138,483 | | |
| Special Agency Programs: | | | | | | | | | | | | |
| MITT | 15 | 111,061 | | | | | | | 111,061 | 132,600 | | |
| New Ventures | | | 13,831 | 210,982 | | | | | 210,982 | 179,401 | | |
| Credit Unions (deposit insurance) | | | 1 | 50,250 | | | | | 50,250 | 53,750 | | |
| Other | 87 | 2,663 | | | | | 2 | 10,396 | 13,059 | 14,649 | | |
| Total Outstanding at March 31, 1992 | 2,066 | 376,096 | 14,147 | 368,722 | 209 | 45,592 | 479 | 163,044 | 953,454 | 935,500 | | |
| Corporation | | | | | | | | | | | | |
| Ontario Development Corporation (excl. Special Agency Programs) | 930 | 106,859 | 167 | 51,599 | 5 | 21,860 | 34 | 115,837 | 296,155 | 303,676 | | |
| Northern Ontario Development Corporation | 598 | 63,642 | 71 | 33,641 | | | 440 | 46,940 | 144,223 | 132,045 | | |
| Eastern Ontario Development Corporation | 486 | 46,388 | 77 | 22,250 | | | 5 | 267 | 68,905 | 69,263 | | |
| Innovation Ontario Corporation | 3 | 638 | | | 204 | 23,732 | | | 24,370 | 16,620 | | |
| Ontario Development Corporation (Special Agency Programs) | 49 | 158,569 | 13,832 | 261,232 | | | | | 419,801 | 413,896 | | |
| Total Outstanding at March 31, 1992 | 2,066 | 376,096 | 14,147 | 368,722 | 209 | 45,592 | 479 | 163,044 | 953,454 | | | |
| Total Outstanding at March 31, 1991 | 2,260 | 403,992 | 13,181 | 344,813 | 146 | 45,126 | 516 | 141,569 | | 935,500 | | |
| Commitments at March 31, 1992 | 667 | 144,633 | 631 | 212,898 | 11 | 1,615 | | | 359,146 | 256,817 | | |

Regional Offices

The Development Corporations have 17 field offices across the province, staffed by experienced business development specialists who can offer advice on which financial services are best-suited to an individual company's needs. They also assist with the initial application process and maintain regular contact with client companies.

ODC FIELD OFFICES

CENTRAL REGION

Bracebridge*
23 Ball's Drive
P.O. Box 240
Bracebridge, Ontario
P1L 1T1
(705) 645-1175
1-800-465-9875
* also services
NODC/EODC

Hamilton
Bank of Montreal Tower
1 James Street North
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L8R 2K3
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1-800-263-9293

Mississauga
4 Robert Speck Parkway
Suite 1140
Mississauga, Ontario
L4Z 1S1
(416) 279-9150
1-800-668-0412

Willowdale
5 Fairview Mall Drive
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Willowdale, Ontario
M2J 2Z1
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SOUTHWESTERN REGION

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1-800-267-6592

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400A Pembroke Street East
Pembroke, Ontario
K8A 3K8
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1-800-563-6085

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139 George Street North
Peterborough, Ontario
K9J 3G6
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